

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 11 – LEASES****Capital Leases**

King County has entered into agreements to purchase buildings, machinery, and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for in the Governmental Activities. Such assets and liabilities related to proprietary type funds are accounted for within the proprietary funds (Business-type Activities).

The following is a schedule of capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2003:

	<b>Capital Assets</b>		<b>Capital Leases Payable</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Land	\$ 9,440,486	\$ -	\$ -	\$ -
Building	74,734,514	4,880,562	81,485,000	3,820,383
Less depreciation	(9,598,693)	(379,600)	-	-
Sub-total	<u>74,576,307</u>	<u>4,500,962</u>	<u>81,485,000</u>	<u>3,820,383</u>
Machinery and equipment	1,039,319	125,763,619	192,093	25,326,301
Less depreciation	(590,546)	(54,235,436)	-	-
Sub-total	<u>448,773</u>	<u>71,528,183</u>	<u>192,093</u>	<u>25,326,301</u>
Totals	<u>\$ 75,025,080</u>	<u>\$ 76,029,145</u>	<u>\$ 81,677,093</u>	<u>\$ 29,146,684</u>

The following is a schedule, by year, of future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2003:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2004	\$ 6,316,290	\$ 16,690,082
2005	6,255,856	10,346,230
2006	6,231,043	255,000
2007	6,198,303	255,000
2008	6,200,259	255,000
2009-2013	30,992,315	1,275,000
2014-2018	30,996,256	1,275,000
2019-2023	29,072,311	1,275,000
2024-2028	15,444,820	1,275,000
2029-2033	-	658,750
Total minimum lease payments	137,707,453	33,560,062
Less: Amount representing interest	(56,030,360)	(4,413,378)
Present value of new minimum lease payments	<u>\$ 81,677,093</u>	<u>\$ 29,146,684</u>

**Operating Leases**

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year

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**NOTE 11 – CONTINUED**

ended December 31, 2003, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$23.6 million. The patterns of the future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2004	\$ 9,530,000	\$ 395,000	\$ 515,000	\$ 10,440,000
2005	8,320,000	300,000	395,000	9,015,000
2006	6,955,000	265,000	192,000	7,412,000
2007	5,045,000	130,000	155,000	5,330,000
2008	2,450,000	5,000	45,000	2,500,000
2009-2013	9,850,000	-	226,000	10,076,000
2014-2018	440,000	-	85,000	525,000
2019-2023	440,000	-	-	440,000
2024-2028	440,000	-	-	440,000
2029-2033	395,000	-	-	395,000

The County currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King County International Airport/Boeing Field complex to companies and government agencies in the aviation industry. Some land and building space devoted to governmental activities are also leased out under long-term operating leases.

The following schedule is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2003:

	<u>Airport Enterprise</u>	<u>Governmental activities</u>
Land	\$ 22,504,350	\$ 429,726
Buildings	20,977,369	3,402,147
Less depreciation	<u>(10,668,312)</u>	<u>(1,155,821)</u>
Total cost of property under lease	<u>\$ 32,813,407</u>	<u>\$ 2,676,052</u>

The following is a schedule of minimum future lease receipts on non-cancelable, operating leases based on contract amounts and terms as of December 31, 2003:

<u>Year ending December 31</u>	<u>Business-type</u>		<u>Governmental</u>	
	<u>Airport</u>	<u>Other</u>	<u>Various</u>	<u>Total</u>
2004	\$ 6,223,077	\$ 409,463	\$ 2,135,814	\$ 8,768,354
2005	6,066,155	353,899	2,039,386	8,459,440
2006	5,877,069	315,024	1,853,517	8,045,610
2007	5,618,885	184,553	1,751,129	7,554,567
2008	5,320,752	24,310	1,630,500	6,975,562
2009-2013	25,475,972	24,310	5,644,490	31,144,772
2013-2017	23,012,676	-	3,581,144	26,593,820